

Hog Prices: Soymeal:↔
Corn:↔ CDN Dollar:↑

Hog Margin Outlook

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Friday, February 06, 2015

Forward contract prices opened lower this morning. US cash markets finished the week lower with all reporting regions showing weakness. The WCB showed the biggest decline at \$2.85 from previous day; ISM and National came in \$1.29 and \$0.85 lower respectively. The pork cut-out is down to \$73.42, its lowest value since 2010 and there are rumors the cash trade has not yet discovered the seasonal low amid ample supplies. As well, the recent work stoppage on US West Coast ports is adding pressure as supply chains become disrupted. Lean hog futures are lower at week end but have rallied approximately \$0.85 -\$2.00 USD/cwt across all contracts this morning following some positive export news. To this point, fundamentals have been weak and pressure further comes from a long liquidation that materialized earlier in the week; as well, issues stemming from (assumed) longer term effects from the US port labour dispute pushed the trade lower. Significant for producers is the pressuring effect the stoppage is (so far) having on forward contract prices. The port issues will be resolved at some point and the general consensus is that the market is overreacting. This morning's lean hog rally has seen some value return to forward offerings, mostly on the good export news; volumes were steady and the overall value of US exports increased in 2014.

Canadian delivered soymeal prices opened even this morning. Yesterday's 'bounce' is widely interpreted as a selling opportunity and the trade has turned lower to finish off the week. The message is the same: more beans are on the way once S. America ramps up harvest. However, the bean market is cautiously bearish as S. American yields have not been finalized by any account and the relative strength of the USD (albeit weakening somewhat) is placing US exports at a competitive price disadvantage. Decent exports and positive demand is supportive.

Canadian delivered corn prices opened even this morning. While demand remains relatively good at the international level adding some support (coming within expected ranges last week), the market's reaction has been muted. As well, expectations with next week's WASDE report are leaning toward a respectable 1.879 billion bu. in ending stocks although the higher estimates are over the 2 billion mark. However, there is talk that higher prices are needed in order to pull corn out of farmers' bins.

US Slaughter	
430,000	Thursday
425,000	Thursday (year ago)
W. Corn Belt	\$60.61
National Price	\$69.59
Daily Sig 3	\$138.01
Daily Sig 4	\$153.45
Thunder Creek	\$141.29
4-Month Fwd.	\$159.70
B of C Ex. Rate (Noon)	
\$1.2422 CAD/ \$0.8050 USD	
Cash Prices Week Ending February 7, 2015	
Signature 3	147.27/66.80
Signature 4	157.24/71.32
h@ms Cash	155.74/70.64
Hylife	n/a
Thunder Creek	154.50/70.08
ISO Weans	\$56.14 US Avg.
Feeder Pigs	\$73.21 US Avg.
#1 Export Sows (+500lbs)	\$33.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig. #3		138.45 142.46	143.33 146.77	163.80 174.12	171.83 178.71	174.70 181.00	169.65 177.68	157.80 166.97	151.74 159.14	135.79 141.48
Maple Leaf Sig. #4		139.61 143.82	143.90 146.35	161.18 172.50	170.50 176.05	174.27 179.16	172.94 178.89	158.47 174.90	153.33 159.51	140.87 148.15
Soymeal Winnipeg Delivered	498	498	492	492	486	489	488	493		
Corn Wpg, Delivered	191									

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